

Press Release

Renuka Plasti Crafts Private Limited

June 06, 2022

Rating Upgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	30.60	ACUITE BBB Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	30.60	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

*Refer Annexure for details

Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE BBB**' (read as **ACUITE triple B**) from '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs.30.60 Cr bank facilities of Renuka Plasti Crafts Private Limited (RPPL). The outlook is '**Stable**'.

Rationale for rating upgrade:

The upgrade in the rating reflects improvement in the revenues in FY2021 & FY2022, expected improvement in the revenues going forward, improvement in the operating & profitability margins in FY2021, comfortable financial risk profile marked by improving gearing & comfortable debt protection metrics, adequate liquidity position marked by adequate cash accruals against moderate repayment obligations and increase in the installed capacity from 3000 TPA to 3300 TPA due to addition of new machineries & moulds.

About the Company

Hyderabad (Telangana) – based, RPPL was incorporated in the year 1999. The company is promoted by Mr. Anugu Dayanand Reddy, Mrs. Pingali Renuka Reddy, Mr. Varun Reddy Anugu and Mrs. Anugu Manali. The company is engaged in manufacturing of precision injection moulded components like stand-up caps, conical caps, flip top caps and shoulders, among others. The company also assembles plastic moulded components manually or using automatic machines for making pumps which are used in lotion bottles, hand sanitizer bottles, etc., using multi-cavity high precision fully / semi hot runner injection moulds.

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of RPPL to arrive at the rating.

Key Rating Drivers

Strengths

>Extensive experience of promoters

The promoters, Mr. Anugu Dayanand Reddy, Mrs. Pingali Renuka Reddy, Mr. Varun Reddy

Anugu and Mrs. Anugu Manali, have over two decades of experience in the mould and mould components industry which has helped RPPL build healthy relationships with its customers and suppliers, to ensure a steady raw material supply and large offtake. Mr. A. Dayanand Reddy established 'Vasantha Tool Crafts Private Limited (VTPL)' in August, 1989, which is a manufacturer of high quality precision moulding machines. With 25 years of experience through VTPL, the company has designed and manufactured more than 2000 Precision Injection Moulds for various applications such as caps and closures for FMCG and Pharmaceuticals and high precision moulds for Medical, Electrical Switch Gear, Electronics and Writing Instruments. VTPL had registered revenues of Rs.307.96 crore against a profit after tax (PAT) of Rs.63.58 crore with debt of Rs.470.86 crore as on March 31, 2022. In order to test and validate the moulds and also to forward integrate it, the promoter established RPPL. The promoter's industry experience has helped RPPL register healthy growth in revenue from Rs.37.24 crore in FY2019 to Rs.75.44 crore in FY2021, though modest. For FY2022, RPPL reported revenues of about Rs.84.26 crore. Repeated orders have led to capacity expansion in its installed capacity from 1200TPA to 2400TPA in FY2018. Further, in FY2021, it has undertaken moderate capex of about for purchasing machineries which has resulted in an increase in the installed capacity to 3000 TPA and also more machines were installed in FY2022 which resulted in further increase in the installed capacity to 3300 TPA. Further, revenue buoyancy is expected on the back of higher off take from its existing reputed clientele such as the Himalaya Group, Cavinkare Group, Silgan Dispensing India Private Limited, etc., with whom the company has long standing relationship of more than a decade.

Acuité also believes that the promoter's extensive experience and healthy relationship with customers and suppliers are expected to support its business risk profile and revenue profile over the medium term.

>Healthy financial risk profile

Financial risk profile of RPPL is healthy marked by improving gearing (debt to equity ratio) & total outside liabilities to total net worth (TOL/TNW), and comfortable debt protection metrics. The gearing stood at 0.69 times as on March 31, 2021 against 0.95 times as on March 31, 2020 on account of plough back of profits to reserves. TOL/TNW stood at 1.13 times as on March 31, 2021 against 1.49 times as on March 31, 2020. Tangible net worth of the company stood modest at Rs.30.61 crore as on March 31, 2021 against Rs.16.27 crore as on March 31, 2020. Of the total debt of Rs.21.23 crore as on March 31, 2021, long-term debt stood at Rs.7.32 crore, short-term debt stood at Rs.11.15 crore and CPLTD stood at Rs.2.77 crore. Debt protection metrics of interest coverage ratio and net cash accruals to total debt stood comfortable at 9.87 times and 0.38 times respectively in FY2021; while DSCR stood at 2.94 times in FY2021. The financial risk profile is comfortable in FY2022 as well marked by improving gearing (debt to equity ratio) & total outside liabilities to total net worth (TOL/TNW), and comfortable debt protection metrics.

Acuité believes that the financial risk profile of the company is expected to remain comfortable on account of modest net worth backed by comfortable cash accruals vis-à-vis moderate debt repayment obligations and comfortable debt protection metrics.

Weaknesses

>Working capital intensive operations

RPPL's working capital operations are intensive marked by Gross Current Asset days (GCA) of 153 days in FY2021 against 146 days in FY2020. This is majorly due to high receivable days due to the impact of covid-19. The inventory days improved and stood at 59 days in FY2021 against 71 days in FY2020. The company maintains an average inventory holding policy of 15-60 days. The debtors' days stood at 88 days in FY2021 against 78 days in FY2020. The customers make advance payment or the credit period given to customers is around 15-60 days. The creditors' days improved and stood at 61 days in FY2021 against 74 days in FY2020. The company makes immediate cash payment or enjoys a credit period of 15-90 days from their suppliers. However, working capital limits remains utilized at 60-80 percent for last trailing 6 months ended April, 2022.

Acuité believes that RPPL's working capital intensive operations would be mitigated by the availability of adequate liquidity over the medium term.

>Susceptibility of margins to volatility in raw material prices and highly competitive and fragmented nature of industry

RPPL's margins are susceptible to volatility in raw material prices. However, despite the same, RPPL has been able to maintain its EBITDA margins at moderate levels of 12.88-19.45 percent over the last four years ending March 31, 2022. The key raw material required is plastic granules. Adverse changes in prices may affect the profitability of the company. The company is operating in a competitive and fragmented nature of the industry. There are several players engaged in the moulded plastic products industry in organized and unorganized sector. Hence, the company faces pricing pressure from other competitors.

>High customer and supplier concentration risk

The company is exposed to customer concentration risk with around 35-40 percent of its total sales for FY2021 and FY2022 have been derived from a single customer – Silgan Dispensing India Private Limited. Further, the company has procured around 40-50 percent of its total raw material requirements from Reliance Industries Ltd. for FY2021 and FY2022. Hence, the company is exposed to customer and supplier concentration risk and the ability of the company to increase the scale of operations and customer base would be the key rating sensitivity in the medium term.

Rating Sensitivities

- Growth in revenue with sustainability of the profitability margins.
- Any deterioration of its financial risk profile and liquidity position.
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics.

Material covenants

None

Liquidity Position: Adequate

RPPL has an adequate liquidity position as reflected by adequate net cash accruals against moderate repayment obligations. The company generated cash accruals in the range of Rs.4.52 crore – Rs.7.97 crore during the last three years through FY2019-21 against moderate repayment obligations in the range of Rs.0.35 crore – Rs.2.77 crore during the same period. It is expected to generate cash accruals in the range of Rs.12.27 crore – Rs.15.13 crore over the medium term, against moderate repayment obligations in the range of Rs.2.16 crore – Rs.3.36 crore. Unencumbered cash and bank balances stood at Rs.1.84 crore as on March 31, 2021 with a current ratio of 1.48 times in the same period. Liquid investments stood at Rs.4.03 crore as on March 31, 2021. However, working capital limits remains utilized at 60-80 percent for last trailing 6 months ended April, 2022.

Acuité believes that liquidity profile is expected to remain adequate on account of adequate cash accruals against moderate repayment obligations.

Outlook: Stable

Acuité believes that RPPL will maintain a 'Stable' outlook over the medium term owing to its experienced management and long track record of operations. The outlook may be revised to 'Positive' if the company demonstrates substantial and sustained growth in its revenues from the current levels while maintaining its margins. Conversely, the outlook may be revised to 'Negative' in case the company registers lower than expected growth in revenues and profitability or deterioration in its working capital management or larger-than-expected debt-funded capex leading to deterioration in its financial risk profile and liquidity.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	75.44	50.82
PAT	Rs. Cr.	5.64	0.87
PAT Margin	(%)	7.47	1.71
Total Debt/Tangible Net Worth	Times	0.69	0.95
PBDIT/Interest	Times	9.87	5.47

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector - <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
10 Mar 2021	Working Capital Term Loan	Long Term	1.30	ACUITE BBB- Stable (Assigned)
	Proposed Bank Facility	Long Term	9.00	ACUITE BBB- Stable (Upgraded from ACUITE BB+)
	Proposed Long Term Loan	Long Term	1.00	ACUITE BBB- Stable (Upgraded from ACUITE BB+)
	Proposed Long Term Loan	Long Term	7.20	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	4.60	ACUITE BBB- Stable (Upgraded from ACUITE BB+)
	Term Loan	Long Term	3.50	ACUITE BBB- Stable (Assigned)
	Proposed Term Loan	Long Term	4.00	ACUITE BBB- Stable (Upgraded from ACUITE BB+)
10 Jun 2020	Working Capital Term Loan	Long Term	6.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	4.60	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Proposed Term Loan	Long Term	4.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Proposed Long Term Loan	Long Term	1.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
09 Apr 2019	Term Loan	Long Term	4.60	ACUITE BBB- Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	1.00	ACUITE BBB- Stable (Reaffirmed)
	Proposed Term Loan	Long Term	4.00	ACUITE BBB- Stable (Reaffirmed)

	Working Capital Term Loan	Long Term	6.00	ACUITE BBB- Stable (Assigned)
05 Feb 2019	Proposed Long Term Loan	Long Term	1.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	4.60	ACUITE BBB- Stable (Reaffirmed)
	Proposed Term Loan	Long Term	4.00	ACUITE BBB- Stable (Assigned)
04 Sep 2018	Term Loan	Long Term	4.60	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
CITI Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
HDFC Bank Ltd	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	1.66	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	4.69	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
Small Industries Development Bank of India	Not Applicable	Term Loan	26-06-2018	Not available	31-05-2023	1.37	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
Small Industries Development Bank of India	Not Applicable	Term Loan	07-05-2019	Not available	10-04-2024	1.60	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
Small Industries Development Bank of India	Not Applicable	Term Loan	25-03-2021	Not available	17-02-2028	4.51	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
Small Industries Development Bank of India	Not Applicable	Working Capital Term Loan	10-06-2020	Not available	26-05-2023	0.05	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
Small Industries Development	Not Applicable	Working Capital	18-02-2022	Not available	23-01-2027	1.72	ACUITE BBB Stable Upgraded

Bank of India		Term Loan					(from ACUITE BBB-)
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Note: Cash Credit of Citi bank includes sublimit of Post Shipment Finance of Rs.15.00 crore, Pre Shipment Finance of Rs.15.00 crore, WCDL of Rs.15.00 crore, Usance LC of Rs.15.00 crore, Sight LC of Rs.15.00 crore and BG of Rs.5.00 crore.

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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